

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 3/11/2014	(3) CONTACT/PHONE Dana Lilley, Supervising Planner/(805) 781-5715	
(4) SUBJECT A presentation by the Economic Vitality Corporation on its report and recommendations from the Economic Analysis Pilot Project.			
(5) RECOMMENDED ACTION It is recommended that the Board receive the presentation and written report by the Economic Vitality Corporation and provide direction to staff regarding provision of economic information with staff reports for discretionary permits.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. ____) { X } Board Business (Time Est. <u>30 min</u>)			
(11) EXECUTED DOCUMENTS { } Resolutions { } Contracts { } Ordinances { X } N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: { } 4/5 Vote Required { X } N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY { } N/A Date: 8/28/2012 (#24); 5/14/2013 (#23)	
(17) ADMINISTRATIVE OFFICE REVIEW Lisa M. Howe			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Dana Lilley, Supervising Planner

VIA: Wes Drysdale, Administrative Services Manager

DATE: 3/11/2014

SUBJECT: A presentation by the Economic Vitality Corporation on its report and recommendations from the Economic Analysis Pilot Project.

RECOMMENDATION

It is recommended that the Board receive the presentation and written report by the Economic Vitality Corporation and provide direction to staff regarding provision of economic information with staff reports for discretionary permits.

DISCUSSION

Background

As lead agencies, cities and counties consider many factors when approving discretionary permit applications for development projects. Factors considered and evaluated by lead agencies predominantly focus on environmental and community issues, which are driven by regulations and disclosure requirements (e.g. Subdivision Map Act, Planning and Zoning Law, and the California Environmental Quality Act). Economic factors are rarely considered in any formal manner, except when an Environmental Impact Report (EIR) has been prepared for a project with unmitigated environmental impact(s) and the decision-makers have to make a Statement of Overriding Considerations that states that there are economic, social or technological benefits that outweigh adverse, unmitigated environmental impacts of the project as a means to certify an EIR and approve the project. While it has been the tradition of lead agencies to focus primarily on environmental and community issues, over the last several years, there has been a heightened interest to bring more economic information forward to decision-makers.

In 2010, the Economic Vitality Corporation (EVC) completed the San Luis Obispo County Clusters of Opportunity Economic Strategy, which was developed by business leaders for implementation by business leaders. One of the actions included in the strategy was the following:

"Encourage analysis of economic impacts of projects and policies in the County, and consistency with the Economic Element of the General Plan."

In September 2011, the County took a first step in this direction by including non-quantified "Business Impact Statements" in selected categories of items on the Board of Supervisors agenda. The EVC and County staff have been collaborating since September 2011 on an approach and procedure toward another step to provide quantified information regarding the potential economic benefits of development projects. The staff of the County and the EVC agreed that such a new program should be designed in order to avoid both potential delays and increased costs for permits.

A three-tiered approach to economic analysis

The EVC's Economic Analysis Program was originally designed with three alternative "tiers" of information, all of which are voluntary for applicants. Under Tier I, an applicant completes an online questionnaire about the project and the EVC simply compiles and sends that information to the County. Under Tier II, upon an applicant's request, the EVC enters the information provided by the applicant into an online economic modeling program to generate more complete economic results including jobs, income, invested capital, and public revenues. Furthermore, the Tier II economic modeling program forecasts economic results that would be directly generated by the development project during construction and operation of the approved business, including direct, indirect and induced results (i.e., the "economic multiplier" effect). Here are definitions of these types of impacts:

- "Initial" Actual impact - One job added, additional sales or earnings to an industry.
- "Direct" Industry transactions - Direct impacts take place only in the industry immediately impacted and consist of permanent jobs, wages and output of the event itself.
- "Indirect" Inter-Industry transactions - Indirect impacts are the jobs, wages and output created by businesses, which provide goods and services essential to the construction of the project, the special event, tourist activity, or to the new company.
- "Induced" Impacts to household income - Induced impacts are the result of spending of the wages and salaries of the direct and indirect employees on items such as food, housing, transportation, etc.

Tier III involves consultant prepared economic impact analyses, which would most likely be commissioned by the County or applicant and funded by the applicant for large development projects.

A pilot project was initiated

On August 28, 2012, the Board of Supervisors approved an agreement with the EVC for the County to provide \$27,940 to cover EVC costs for a pilot project of its Economic Analysis Program in order to generate economic benefits information for eight discretionary land use permits. Of those eight projects, three would be the subject of Tier I analyses, and five projects would be the subject of Tier II analyses. As the study proceeded, the EVC found that businesses were not interested in the Tier I option, so EVC and County staff agreed that a Tier II analysis for six projects would provide a better sample than four Tier I analyses and four Tier II analyses. This pilot project was designed to enable the EVC, the County and the public to better understand the nature and usefulness of economic information that could be provided, how that information is received in a public setting, and also to identify any potential procedural challenges. Based on the results of this pilot project, the County may decide to implement a longer-term procedure to obtain economic information.

Results of the pilot project

The EVC has produced Tier II economic information from six projects within the pilot program. The economic information and lessons learned to date will be presented by EVC staff and a report from the EVC is attached. All of the six were subjected to the more complete Tier II analysis, instead of the self-reporting Tier I analysis, per the request of the participating businesses. The six projects included the following:

- Digital West Data Center Expansion
- Grover Beach Lodge & Conference Center
- Hillside Terrace Multifamily (Residential rental units)
- Vintage Home Multifamily (Residential for sale units)
- Marsh Street Commons (Mixed Use)
- Mindbody Expansion

In total, it was forecast that these six projects would produce the following economic benefits:

- 1,872 jobs
- \$190,088,964 in sales
- \$1,849,385 in sales tax
- \$538,241 in property taxes (from property improvements)

Some of the lessons learned through this pilot project include the following:

- Businesses were initially reluctant to have their projects analyzed, but they became much more interested once they learned from the EVC how their project data would be used.
- While the analysis in this pilot project enables a consistent methodology for generating economic benefits information for different project types, it does not include certain categories of local expenditures (or “soft costs”) such as environmental review, architectural design, permits, market studies and advertising. Thus, the resulting data understates the economic benefits.
- Some businesses are concerned that incomplete data on economic benefits could lead to a public perception that each project’s return on investment is greater than it really is.
- Tier I analyses do not appear to be attractive to businesses or to County staff since data inputs for Tier I analyses would not be verified and because they would not forecast indirect or induced economic benefits.

Recommendations of EVC and County staff

The EVC and the Planning and Building Department recommend that the Board of Supervisors direct County staff to take the next procedural steps needed to enable voluntary provision of economic benefits information with discretionary land use permit applications which are considered by the Planning Department Administrative Hearing Officer, the Subdivision Review Board, the Planning Commission and the Board of Supervisors. This would include issuance of a Request for Qualifications to identify qualified firms to prepare the economic analyses and preparation of written procedures to guide County staff and applicants. Applicants should be able to choose whether to provide the economic information, and if they so choose, then they should engage one of the firms from a list provided by the County and provide the completed information to County staff in time to meet agenda deadlines. County staff should not be directed to conduct additional analysis of the economic information provided since such additional analyses might increase time and cost for permits.

OTHER AGENCY INVOLVEMENT/IMPACT

The EVC has not yet asked the cities to participate in this economic analysis project. The EVC proposes to start with the County, and to approach the cities later once the pilot project is completed. The County Administrative Office worked closely with the EVC and the Planning and Building Department as the EVC initiated this pilot project.

FINANCIAL CONSIDERATIONS

Funding for this request was provided from funds budgeted but not spent by the Planning and Building Department (Fund Center 142) in fiscal year 2011/12.

RESULTS

The intended result of this request is to facilitate generation of economic benefits information for development projects to facilitate consideration of economic benefits along with environmental and community factors when the County approves development projects.

ATTACHMENTS

1. Economic Analysis Program Final Report